



## **SOUTH NORFOLK FINANCE, RESOURCE, AUDIT AND GOVERNANCE COMMITTEE**

**Minutes of a meeting of the South Norfolk Finance, Resource, Audit and Governance Committee of South Norfolk Council, held on Friday, 7 October 2022 at 9.30 am.**

**Committee Members Present:** Councillors: P Hardy (Chairman), S Ridley (Vice-Chair), C Brown, T Laidlaw and N Legg

**Apologies for Absence:** Councillors: B Duffin, D Elmer, C Hudson and K Kiddie

**Substitute:** Councillors: M Edney (In place of C Hudson) and R Savage (In place of B Duffin)

**Cabinet Member in Attendance:** Councillor: A Dearnley

**Officers in Attendance:** R Fincham (Assistant Director of Finance), F Haywood (Head of Internal Audit), R Dunsire (Housing and Wellbeing Senior Manager), M Harris (Interim Head of ICT and Digital), T Holden (Managing Director), C Lawrie (Assistant Director of Transformation and ICT/Digital), M Pursehouse (Assistant Director of Individuals and Families) and C White (Democratic Services Manager)

### **303. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs Duffin, Elmer, Hudson and Kiddie.

### **304. DECLARATIONS OF INTEREST**

With reference to minute 306, the Strategic Risk Update, Cllr N Legg declared an "other" interest in that a number of his colleagues were providing accommodation for Local Authority use in Norfolk.

### **305. MINUTES**

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 15 July 2022 were confirmed as a correct record.

### **306. STRATEGIC RISK UPDATE**

Members considered the report of the Strategy and Intelligence Manager, which provided an overview of the current position in terms of Strategic Risk for South Norfolk Council.

The Assistant Director ICT/Digital and Transformation outlined the salient points of the report, drawing attention to the changes in the status of risks and additions to the register, since the last update to the Committee.

Members noted that the format of the report had been changed, and had taken into account previous feedback from the Committee. Apologising for an error in the table at Appendix 1, the Assistant Director explained that the summary table should provide details of all key changes.

Reference was made to a new risk, SNC S14 Private and Social Housing Stock to meet demand on the Council. The Assistant Director of Individuals and Families and the Housing and Wellbeing Senior Manager explained the background to the risk, advising that the Council was facing a significant increase in the number of people presenting themselves as homeless, and in need of temporary accommodation. The increase had arisen due to the impacts of the Covid-19 pandemic, the cost-of-living crisis, and a reduced housing stock in both the private and social housing sector.

Members noted that forecasts were indicating that the numbers of people in need would further increase, and an approximate overspend of £180k for temporary accommodation at year end was predicted.

Officers outlined proposals to mitigate this impact, with plans to purchase additional units of accommodation (in the form of Houses of Multiple Occupation), so that there was not a complete reliance on Bed and Breakfast (B&B) accommodation, which was far more costly. The Housing and Wellbeing Senior Manager explained that although this would require an investment of capital, it would provide an ongoing profit which could be used to offset any additional costs of B&B.

Officers responded to a number of queries on points of detail and members noted that the proposal and associated business case would be discussed at the relevant policy committee and submitted to Cabinet for approval. Members were assured that both the short-term and long-term risks of the proposals would be brought to the attention of Cabinet.

## **RESOLVED**

To note the Strategic Risk Register update for the Council.

### **307. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

Members considered the report which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23 during the period 1 April 2022 to 26 September 2022.

The Head of Internal Audit explained that the report format had changed slightly

in that it detailed both the progress with internal audit activity and provided a follow up on internal audit recommendations.

Members noted that during the period of the report, 17% of the Internal Audit Plan for 2022/23 had been completed, and that no reports had been issued in final. The Head of Internal Audit explained that the report regarding Community Activity was nearing completion, and that the report regarding Community Assets in Quarter 2 was due to be issued in draft very shortly.

The Head of Internal Audit further explained that during the period, at the request of Management, an investigation had been carried out into the use of discounts and the write off of arrears at the Council's leisure facilities. The investigation had resulted in recommendations being made to strengthen controls in that area.

Turning to section 5 of the report regarding the outstanding internal audit work from 2021/22, the Head of Internal Audit explained that the draft report regarding Cyber Security had been issued, but that further work had been commissioned from an external party regarding information security and performance against the ISO standard. Once this work was complete, it would be considered alongside the draft audit report, to devise an Action Plan to take that area of work forward.

Referring to paragraph 5.2 of the report, the Big Sky Position Statement, members noted that the results and subsequent recommendations had been discussed with senior management.

The Managing Director advised the meeting that the audit review had been welcomed and built on comments made in the Peer Review report. The areas for improvement largely centred around the Council's constitution, and the need to provide more clarity on:

- The role of the company
- How directors were appointed
- How the Business Plan was reviewed
- How loans were progressed
- The reporting mechanism to the Council through FRAG regarding performance against any agreed Business Plan

He advised the Committee that the Monitoring Officer would be submitting a report to the next Council meeting to request amendments to the constitution, to address the above points.

The Managing Director referred to a key recommendation regarding the Big Sky Business Plan informing the Council's mid-term Financial Plan and formalising this through the Council's structures. This would provide some assurances when setting the Council's budget regarding what was anticipated to go out as loans and what income was anticipated to come back to the Council through interest on loans. He hoped to deliver an all-member briefing regarding the Big Sky Business Plan, before the end of the year.

In response to queries, he explained that Big Sky was currently paying back loans from the Council at a fixed rate, however he expected that this would need to be renegotiated when a further site purchase was required. As a director for Big Sky,

he could not negotiate on behalf of the Council, but he anticipated that the viability and return on a site to be a key factor for the Council when considering the duration of any future loan and rate of interest.

Regarding a question relating to the impact of Nutrient Neutrality, the Managing Director advised that he expected construction on the St Giles site to cease at the end of the calendar year. Big Sky had already gone out to tender on the next phase; however, these tenders would need to be resubmitted due to inflating costs, resulting in a delay in implementation. From a Council's perspective he was hoping that the issues around Nutrient Neutrality were nearing resolution.

The Head of Internal Audit agreed that the Audit report could shortly be shared with members and explained that the situation was positive in that a number of the recommendations had already been progressed. The Managing Director added that there was a commitment from Big Sky to report to the Council through the FRAG Committee quarterly or six monthly on performance against its Business Plan.

Moving on, the Head of Internal Audit drew members' attention to Appendices two and three of the report which detailed the status of agreed internal audit recommendations and outstanding recommendations for 2020/21 and 2021/22.

The Interim Head of ICT and Digital provided members with an update relating to the outstanding audit recommendations regarding Disaster Recovery. He explained that the original delay had been due to the implementation of new IT infrastructure, which was now in place. Resilience was key to the design of the new infrastructure, which was configured to run in "active active mode" with any response to a failure being automated. This had been tested as part of the commissioning process but would need to be tested as part of the move over to the Horizon Centre. Significant preparation was required to do this and he anticipated that Disaster Recovery tests would shortly be scheduled in for the next financial year and beyond. He explained that he felt the service to be in a better position now in terms of security, integrity of data and availability of services.

In response to queries the Interim Head of ICT and Digital explained that he was working closely with Emergency Planning to consider the priority of systems. In terms of the move out of the House to Thorpe Lodge, he explained that this did not present the team with any security problems as all main equipment was retained at Thorpe Lodge, and any issues were regarding the timing of the decommissioning of some links, as there was a reliance on third parties.

The Head of Internal Audit added that she felt progress to have been positive and that she would continue to work with the Head of ICT and Digital to ensure that the necessary assurances were obtained.

With regard to the outstanding recommendations relating to Counter Fraud and Corruption, the Assistant Director explained that the relevant Strategy was now due to be considered at the next meeting of the Cabinet on 17 October 22.

It was

## **RESOLVED**

To note

1. The report on progress in relation to the completion of the Internal Audit Plan for 2022/23
2. The position in relation to the completion of agreed internal audit recommendations as at 26 September 2022.

### **308. VERBAL UPDATE ON THE PROGRESS WITH THE 2020/21 EXTERNAL AUDIT**

The Assistant Director of Finance updated members on the progress made in relation to the 2020/21 external audit.

The Assistant Director explained that there had been limited progress since he had last updated the Committee. Ernst Young (EY) had spent some time focussing on the Broadland audit over the Summer and was expected to return before Christmas to concentrate on South Norfolk's 2020/21 accounts. He reminded the Committee that the 2021/22 audit was also outstanding.

The Chairman queried the risks these delays placed on the Council and suggested that the early identification of any issues with the accounts was crucial. The Assistant Director agreed and advised that normally the Council's key source of assurance was drawn from external audit's review of accounts. Members noted that without a timely audit, issues could be left unidentified and even repeated in subsequent years, whereas normally they would have been addressed earlier.

With regard to EY's current performance, the Assistant Director informed members that there had been a slight improvement in that it had spent 5 weeks auditing Broadland District Council's accounts and had indicated that it would be focussing on South Norfolk's accounts before Christmas. He had also been informed that the auditors would be spending more time on site which was welcomed by officers. Members noted that the resourcing issues were a national problem, both in the public and private sector.

The Committee was advised that that audit fees would be increasing by 150% and members commented that they would expect the quality of service to improve in line with this increase.

During further discussion, the Assistant Director explained that Public Sector Audit Appointments Limited (PSAA) had announced the outcome of its procurement of Audit Services for Local Government, and contracts had been offered to the following six suppliers:

- Ernst Young (the Council's current auditor)
- Grant Thornton
- Mazars
- KPMG
- Bishop Fleming

- Azets Audit Services

In response to queries, he advised that suppliers were usually assigned on a regional basis, and that a council could only refuse to work with a supplier if there was a conflict of interest. Should EY be again assigned to work with South Norfolk, he expected the lead partner at EY to change, as a rotation of audit partners was recognised as good practice.

The Committee thanked officers for the update and expressed their continued disappointment with the external audit delays.

### **309. INTERNAL AUDIT SATISFACTION (VERBAL ITEM)**

The Head of Internal Audit advised the Committee that she welcomed feedback on the reporting mechanism from internal audit and encouraged any suggestions on how to improve. She drew attention to the progress report on internal activity (considered at item 7 on the agenda) and the new format which combined both progress with internal audit activity and the follow up on internal audit recommendations within the one report. She hoped that this had simplified the process. Members also noted that there was to be a new report template agreed as part of the contract refresh with TIAA and that this would be available from the next meeting of the Committee.

The Chairman encouraged members to consider where further improvements could be made and to feedback to both himself and the Head of Internal Audit.

### **310. BIG SKY AUDIT UPDATE (VERBAL)**

Members noted that the Managing Director had already updated members on the outcomes of the Big Sky Audit, during the discussion on the progress report on internal audit activity (minute 307)

### **311. WORK PROGRAMME**

Members noted the Finance, Resources, Audit and Governance Committee's Work Programme.

During discussion, the Head of Internal Audit explained that it had been announced that it was likely to become a requirement that all Audit Committees in Local Government appoint at least one independent non-voting member to sit on the Committee. Although not a requirement yet, options on how to progress this would be reported to the next meeting of the Committee. In response to queries, members noted that the successful candidate would receive a small remuneration and expenses would be paid. The Head of Internal Audit explained that the Committee might want to consider its current skills and whether there were any gaps so that any recruitment could be tailored around these needs.

In response to a further query, the Head of Internal Audit confirmed that she expected progress with the Big Sky audit to be considered at the January meeting of the Committee and would probably form part of the Internal Audit Progress report by way of a separate appendix.

(The meeting concluded at 10.54 am)

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Chairman